

On the basis of Article 21 of the Law on Microcredit Organizations of Republika Srpska (“Official Gazette of Republika Srpska”, no.64/06) and Articles 4, 10, and 25 of the Law on the Banking Agency of Republika Srpska – Revised Text (“Official Gazette of Republika Srpska”, no. 67/07), and Article 15, Paragraph 1, Point 2 of the By-Laws of the Banking Agency of Republika Srpska – Revised Text (“Official Gazette of Republika Srpska”, no. 67/04) on its session held on September 10, 2010 the Managing Board of the Banking Agency of Republika Srpska d e c l a r e d

DECISION ON MINIMUM STANDARDS FOR DOCUMENTING MCO’S LOAN ACTIVITIES

Article 1

This Decision prescribes minimum standards, which microcredit organization (hereinafter: MCO) should observe when extending credit.

MCO may approve a loan only on the basis of an adequate agreement in written form.

Changes of time deadlines or other terms related to the loan can be made only by MCO in writing in the form of appropriate modifications and amendments (annex) to the loan agreement.

MCO, which has approved a loan, may transfer its rights on receivables related to the loan only on the basis of written agreement on transfer or in some other way stipulated by the law.

Article 2

MCO is obliged to open a loan file for each loan approved on the date of its approval, and to maintain this file as long as the loan is not repaid or liquidated (regulated) in other manner.

Keeping and maintaining loan files is responsibility of an officer in charge, whose obligation is to assure full and reliable records in loan file.

Article 3

Loan file needs to contain all records related to the loan approved, and at least the following:

1. Loan application signed by the applicant, stating the purpose for which the loan will be used;
2. Applicant’s foundation documents;
3. Original loan agreement;
4. The latest financial report, including balance sheet, income statement, report on cash flows, etc., signed by the person in charge;
5. Documentation related to examination and assessment of debtor’s financial condition and his/her ability to repay the loan under conditions agreed including analysis made, i.e. approved by an MCO’s person in charge;

6. Decision on loan approval issued by the MCO's authorized body, which contains maturity date, interest and other conditions under which the loan has been approved;
7. Documentation proving the purpose of the loan;
8. Documents showing how the loan is secured;
9. Documents stating insurance cash amount on which the loan property is insured by insurance company, where available;
10. In case of modifications and amendments to the loan agreement, following the loan approval, documentation confirming and defining such action as required;
11. Records on follow up and proving loan repayment, in whole or partially, which contain the source (method) of loan repayment (payments by debtor or security instruments enforcement);
12. Records stating financial condition of guarantor for the loan approved;
13. Records presenting measures MCO has undertaken against non-performing debtor;
14. All correspondence and documents showing contacts between MCO and debtor, i.e. guarantor after the loan agreement was concluded.

Article 4

MCO is obliged to develop precise procedures on existence of documents related to loan security. As a minimum, procedures shall define: types of loan security instruments taken by MCO from debtor, i.e. guarantor, as well as recording, safe keeping, process of activating or returning loan security instruments taken.

Article 5

This Decision shall come into effect on the eighth day after it has been published in the "Official Gazette of Republika Srpska".

No. UO-182/10
September 10, 2010
Banja Luka

PRESIDENT OF THE
MANAGING BOARD
Mirjana Jacimovic